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1977 AGRICULTURAL OUTLOOK

Welcome to the 1977 National Agricultural Outlook Conference.

Let me say at the outset: The future of American agriculture and the American farmer is excellent. Today, the farmer has not only achieved the recognition and reward he so richly deserves, but he has achieved a lot more:

-- Record production which enables each farm worker to feed himself and 56 others at home and abroad.

-- Record exports which enable him to prosper and America to achieve a favorable balance in international trade.

As we look ahead, let us consider the vast power for good of American agriculture -- agripower, if you will -- the power to produce and provide an essential of life no one can do without -- food -- and to improve the quality of life in this complex world where our fate is intertwined with the fate of others.

Without question, the credibility and strength of this nation abroad rests upon its vast resources and productivity -- just as much as it does upon its defenses. And the American farmer is in the front lines of this effort.

The challenge -- the heavy responsibility -- is nothing new to the American farmer. With sweat and imagination, he has brought agriculture to unparalleled heights -- and all of us in this nation are in his debt.

Remarks by John A. Knebel, Secretary of the U.S. Department of Agriculture, to open the 1977 Agricultural Outlook Conference in Jefferson Auditorium, USDA South Building, November 15, 1976, at 9:00 a.m.

Today, because the farmer has responded with abundance to expanding markets and his new freedom from governmental controls, agriculture is assuming its rightful place in our international trade relations.

In 1974, America squirmed in the stranglehold of an energy crisis. The farmer came to America's rescue. Freed at last from four decades of governmental controls, some 60 million acres of cropland were released for production. The farmer went into full production, exceeding our domestic needs. In fact, agricultural exports shot to an historical high. That year, America exported \$21.3 billion worth of agricultural products, which was just about enough to pay for the petroleum products we had to import at much higher prices.

America had been suffering trade imbalances. In recent years, because of large agricultural exports, it began recording favorable trade balances. Last year, American farmers exported \$22.1 billion in farm products. Without those agricultural exports, the United States would have suffered a deficit of at least \$8 billion in its trade business. The year before, our nation would have suffered a \$10 billion deficit if it had not been for agricultural exports.

The projection for U.S. agricultural exports is that they will reach about the same level in 1977 as in 1976. Agricultural production and exports are vital to our economy because the projection for all U.S. trade next year suggests that we will have a large deficit. Imagine how severe that deficit would be without agricultural exports. It is imperative that exports of agricultural products be maintained, and increased if possible.

This is crucial to our national economy and to all of America's consumers. Our agricultural exports will help stabilize our economy and balance our trade with other nations.

The projection for food prices in the United States for 1977 is that they will increase only modestly, well below the overall rate of inflation. American consumers are realizing that their grocery purchases are the best deal in the world. In America, the consumer spends only 17 percent of his disposable income for the best and most nutritious food ever produced. In Russia, by comparison, the consumer is spending 37 percent for food -- and the Russian consumer doesn't get nearly the selection, the quality, nor the built-in services that the United States housewife gets in her food.

In this regard, we must look carefully at regulations and proposed regulations on America's food producers and handlers. Superfluous and needless regulations will add unnecessarily to the prices that American consumers will have to pay at the grocery stores.

Expanding our agricultural exports results in another benefit which is often overlooked. Agricultural exports boost employment in the economy. More than 50,000 jobs are created for every \$1 billion of agricultural products exported. Agriculture, the nation's biggest industry, employs nearly 17 million persons from production on the farm to the sale of the food. Also, every \$1 received from agricultural exports generates \$2.20 spending in our economy.

Based on these facts and experiences, we are optimistic about the outlook for 1977.

But the current law requires that by May 15 the new Congress must report a new farm program which could affect to some extent 1977's outlook and greatly affect production in the following years.

At this time, it is impossible to forecast what the Farm Bill of 1977 will contain. We hope it will continue the market-oriented farm program now on the books -- a program which has produced record income for farmers, record exports, record production -- and a minimum of governmental interference in the daily lives of farmers.

However, Congress may move in another direction. Some have repeatedly called for the establishment of significant commodity reserves and export licensing where those reserves fall below certain levels. This, of course, requires more government control and puts the government in competition with the farmer when it's time to liquidate those reserves. Still others have called for reserves with a mixture of government and private ownership, and for much higher target and loan prices tied to a cost of production formula. The difficulty is in establishing a cost of production -- there are many levels to the cost of production depending on farm size, locality, management, the year and other factors. The problem will be to base supports on "a cost of production" without encouraging excessive production that will lead to government accumulation of surpluses, followed by government controls on farm production.

Many in Congress would like to extend the farm program as it is, with upward revisions in target prices that have been eroded by inflation. Some want to see the farm program more consumer-oriented with "cheap food" for domestic consumers and for contribution to foreign nations -- with less

emphasis on profitability for the farmer. There's a big job ahead -- for the new 95th Congress.

We must also look at the problems of disaster assistance. One approach would be to expand the disaster programs of the government; another would be to expand the availability of crop insurance.

I expect the Farm Bill of '77 may well be a compromise, because of the complexity of the issues, the significant support by the farmers of this country for the free-market farm program, and the division in Congress over alternative programs. Perhaps we will have a simple extension of the current law with some revision in target prices. We will probably see an expansion of the crop insurance program, and it is unlikely that the ASCS disaster program will be totally eliminated.

Looking back again for a moment so we can see better what is ahead of us, there has been a mass migration since the industrial revolution from rural areas to the cities. That migration reached a peak during the 1960's when America was losing 100,000 farms a year. So far in the 1970's, that loss has drastically declined to about 27,000 farms per year. Today, there are approximately 2.8 million farms. But the fact remains that less than five percent of the U.S. population today lives and works on our farms compared with about 25 percent 40 years ago.

Obviously, U.S. Senators and Congressmen represent many more city folks than farmers -- and city folks consume most of the farmers' output. Fifty years ago, there were 251 Congressional Districts in which the farm population constituted 20 percent or more of the total. Today, there are only 49 Congressional Districts with 20 percent or more farm population.

It is, therefore, important that we focus the economic spotlight of the nation on agriculture and the importance of sound programs that provide growing export markets and ample food for American housewives at reasonable prices. Members of Congress and consumers need to weigh the importance to farmers of having a profitable business if they are going to continue to produce adequate food for the future, maintain the nation's resources, and invest in modern methods in order to maintain their efficiency. The case for agriculture must be well presented and understood so this small but crucial segment of our society is not relegated to its previous plight through which it suffered for so many years.

If there is no reasonable reward for the farmer's risks and efforts, farm production will surely diminish. If production declines, prices for food and fiber will soar, and our economy, as well as the economies in the rest of the world which depend on us for their food, and which depend on us to purchase their goods from our food exports, will suffer the dreadful consequences.

During the last few years, the farmer has once again demonstrated the importance that agriculture holds for each of us, our nation and the world. The outlook for 1977 is that the farmer will continue to fulfill this crucial responsibility which he has willingly assumed, if we fulfill our responsibility to him.

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